



Conservation Easements Performance Audit Summary

Environmental Quality Council
House Joint Resolution 57 - Interim Study of
Conservation Easements on State Trust Lands

View: West Boulder River valley looking south, Park County, Montana

What is a Conservation Easement?

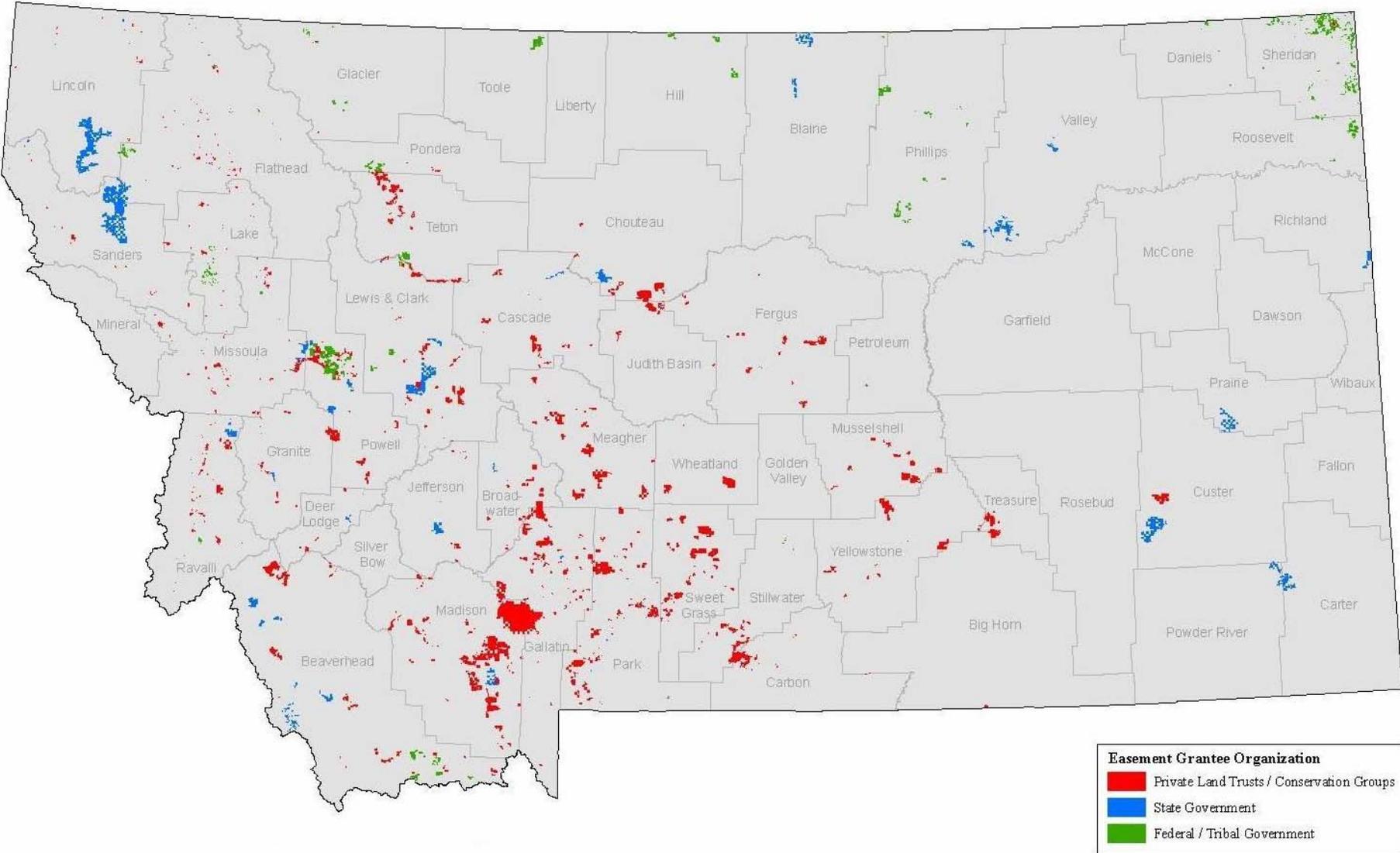
- 99 percent of conservation easements are created on private land
- Easements provide protection for wildlife habitats and traditional landscapes
- Most easements permanently restrict changes in land use
- More easements are being created in Montana and average acreages are increasing
- Conservation easements are a significant land use issue

Statewide Conservation Easement Inventory

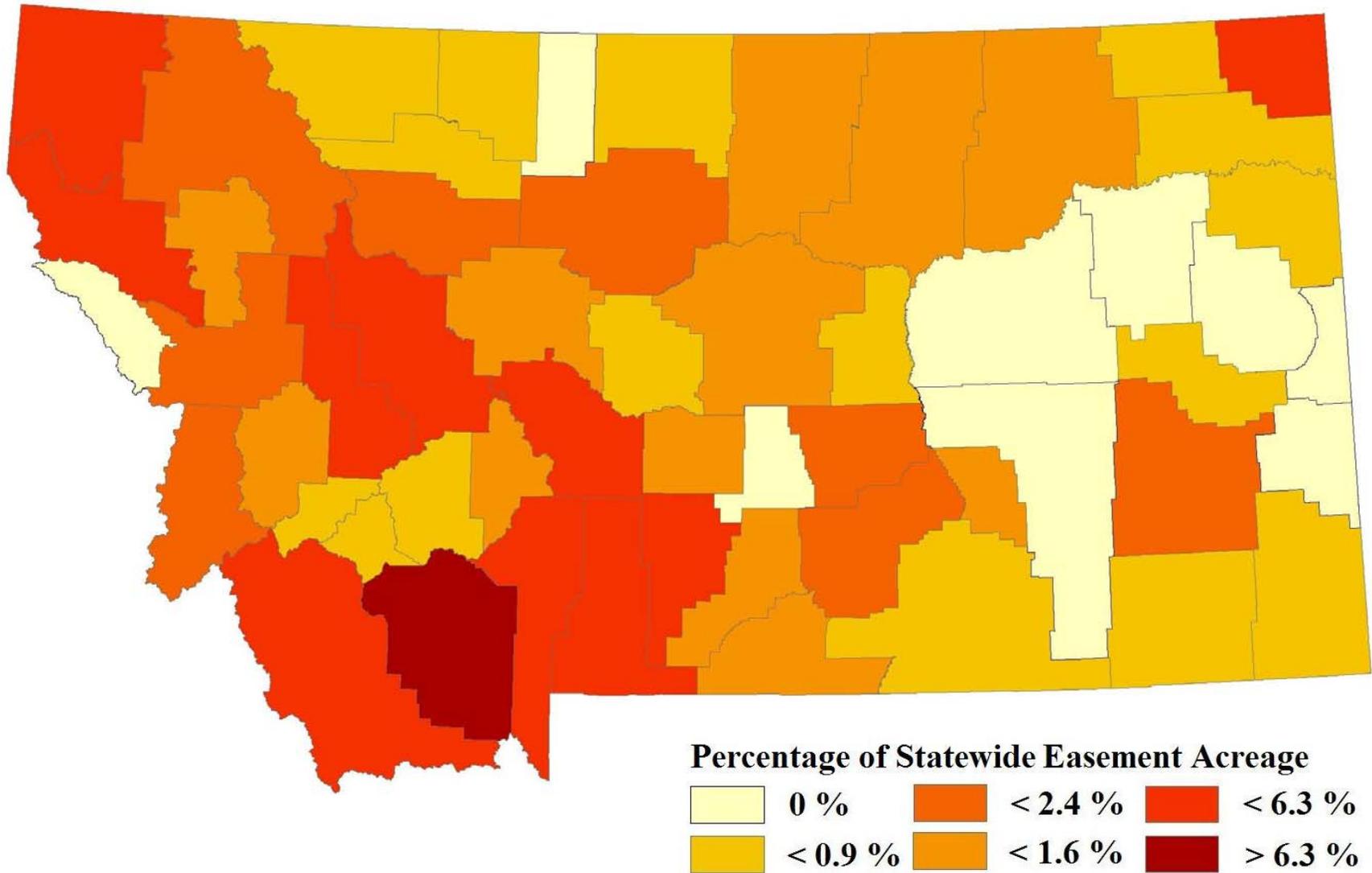
Summary information for Montana easements:

<u>Conservation Easement Attribute</u>	<u>Value</u>
Total Acreage	1,573,411
Percentage of State Land Area	1.68 %
Number of Easements	1,250
Average Easement Acreage	1,271
Largest Contiguous Easement Acreage	107,123

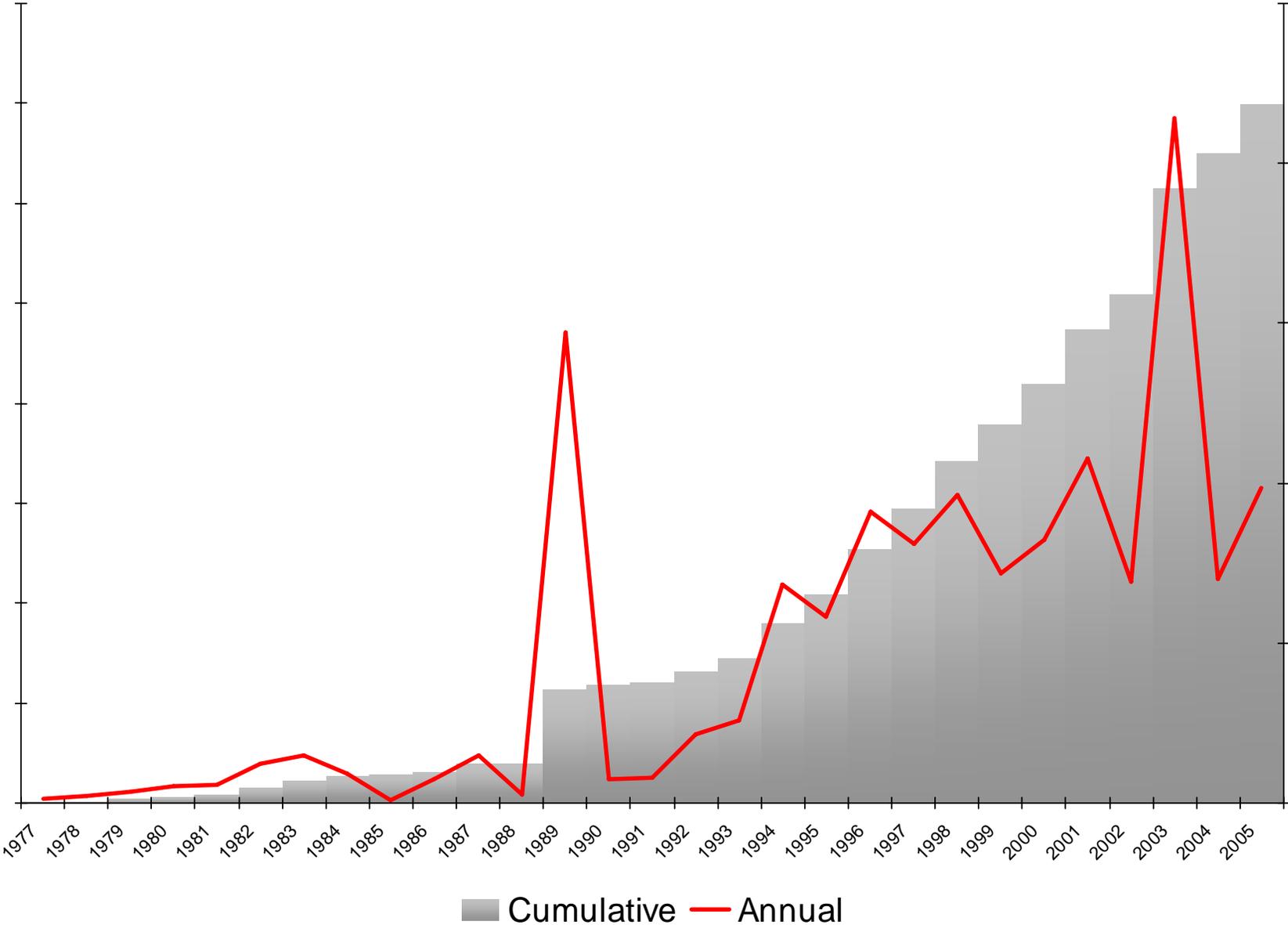
Conservation Easement Locations



Statewide Easement Distribution



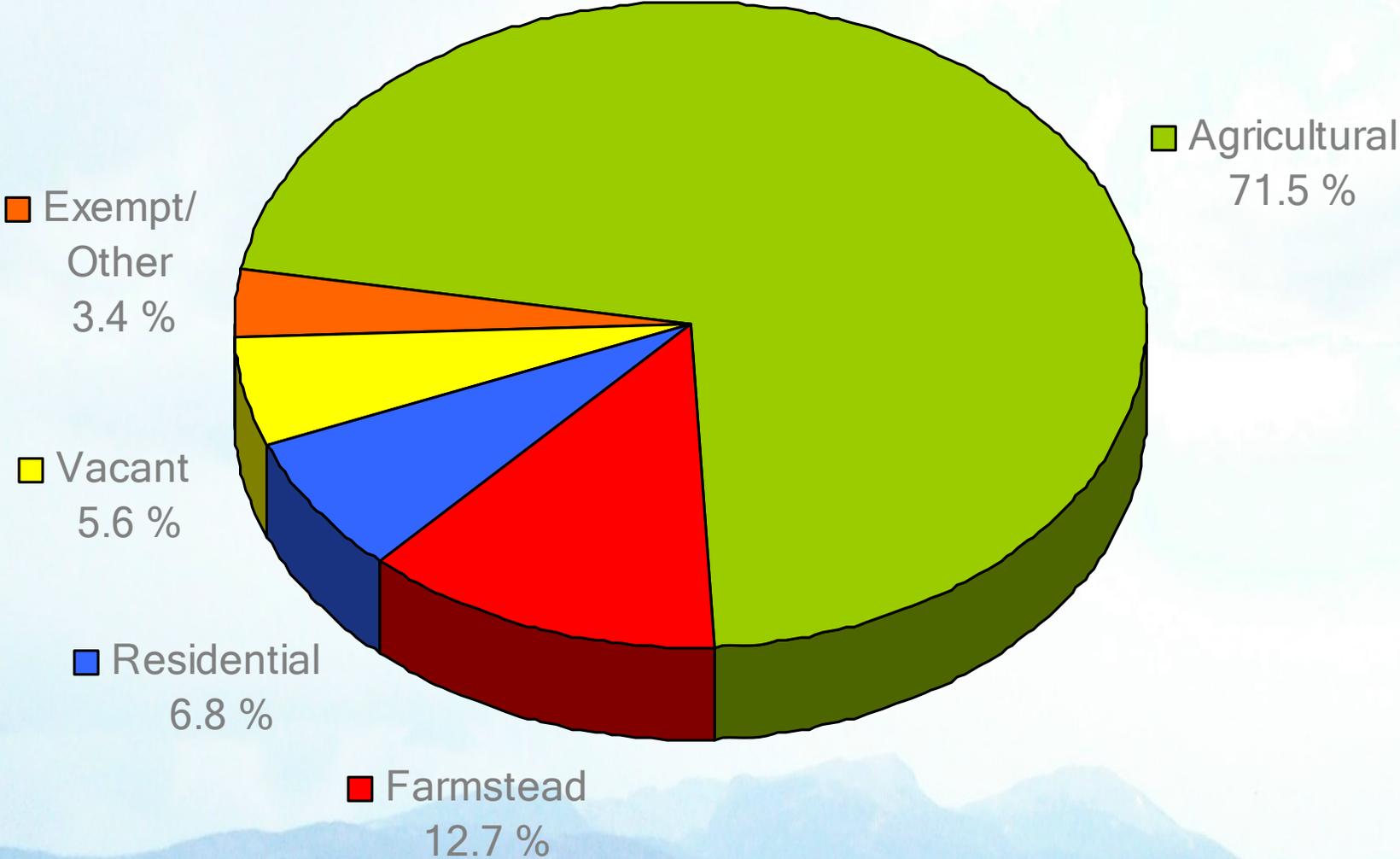
Conservation Easement Trends



Conservation Easement Grantors

<u>Ownership</u>	<u>Acres</u>	<u>Percentage of All Easements</u>
Private Land	1,500,612	98.8%
Federal/Tribal Government	6,115	0.74%
State Government	11,290	0.4%
Local Government	536	0.04%

Tax Classification for Easement Properties



Conservation Easement Grantees

Easement Grantee – Agency or Organization	Total Acreage
Montana Land Reliance	626,463
Montana Department of Fish, Wildlife and Parks	377,747
The Nature Conservancy	241,320
United States Fish and Wildlife Service	193,701
United States Natural Resource Conservation Service	72,516
Rocky Mountain Elk Foundation	31,553
Gallatin Valley Land Trust	24,464
Five Valleys Land Trust	22,467
Ducks Unlimited	17,209
United States Forest Service	7,905
Flathead Land Trust	7,393
Prickly Pear Land Trust	1,160
Bitterroot Land Trust	895
Save Open Space	193
The Vital Ground Foundation	80

Permitted/Restricted Activities

- Easement agreements define the extent of permitted and restricted activities
- Grantors and grantees have fairly wide latitude in terms of permitted and restricted activities
- Most easements on private land allow some sort of residential construction
- Many easements have provisions allowing for continuing agricultural operations
- Some easements have provisions allowing for timber removal and other resource extraction

Permitted Activities

<u>Attribute / Activity</u>	<u>Proportion of Sample</u>
Residential Construction Permitted	71%
Transfer/Division of Land Permitted	22%
Minerals Exploration Permitted	16%
Timber Harvest/Management Permitted	26%

Conservation Easements & Property Taxes

- Audit findings relating to conservation easements and property taxes focused on private lands
- State trust lands are not subject to taxation - conservation easements do not change this
- Audit work shows easements have not resulted in reclassification of property for tax purposes
- Creation of conservation easements does not necessarily result in any decrease in the productive capacity of the land

Taxable Value of Easement Properties

Property Tax Classification	Proportion of Taxable Value	Value Trend 1997 - 2003
Agricultural	18%	+ 16%
Residential	62%	+ 16%
Timberlands	21%	+ 7%

Residential development - north west of Missoula





Residential development - south of Kalispell



Irrigated agricultural land - east of Ennis



Irrigated agricultural land - near Laurel

Irrigated/grazing land - north end of Paradise Valley



Hay operations - central Bitterroot Valley





Undeveloped land/wetlands - north east of Deer Lodge

Valuation of Conservation Easements

- Easement valuations are based on a 'before and after' scenario
- The value of the easement is equal to the difference between encumbered (protected) and unencumbered (highest and best use) value
- Values will depend on the location of the land and the potential for development
- Valuing conservation easements is difficult and requires advanced appraisal knowledge
- Most transactions are not payment-based

Conservation Easement Values

<u>Value Basis</u>	<u>Acres</u>	<u>Value</u>	<u>Per Acre Value</u>
FWP *	204,000	\$41.5 M	\$200
Tax Deductions	23,500	\$12.5 M	\$540
State Trust Lands	600	\$270,000	\$450

* FWP generally pays 40-50% of assessed value



Any Questions?

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